



MEMORANDUM

TO: ROBERT A. KUNTZ, CITY ADMINISTRATOR

FROM: GARY R. KRAMER, P.E., CITY ENGINEER/DIRECTOR OF PUBLIC WORKS

DATE: APRIL 1, 2015

SUBJECT: REQUEST FOR AUTHORIZATION TO BID SALT

RECOMMENDATION: We request authorization to solicit bids for 1,020 tons to be delivered in 2015 AND an additional 1,000 tons for early 2016 delivery from the two sources listed below.

EXPLANATION: We began the 2014-2015 winter season with 4,990 tons of salt. In February, an additional 1,018 tons was delivered. About 2,029 tons of salt were used during 14 winter events. We ended the winter with about 3,980 tons remaining. To refill the dome and to assure an adequate supply in mid-winter the following purchases are necessary.

Table 1	2015 Delivery (tons)	2015 Delivery Schedule	Early 2016 Delivery (tons)	2016 Delivery Schedule
APWA Coop	300	Nov/Dec 2015	300	Jan-Mar 2016
Secondary Supplier	720	August 1, 2015	700	February 1, 2016
Total	1,020		1000	

Historically, the APWA coop delivery date has been unpredictable and on occasions later than expected. Our secondary supplier salt bid specifications include a delivery deadline. For these reasons, we recommend continuing purchasing salt from the coop and a secondary supplier to assure an adequate supply when needed.

The early 2016 additional salt is to avoid the danger of low salt supply before winter ends and eliminate sand/salt mix usage as required in early 2014.

Due to the severe winter, especially in the eastern states, we expect higher prices for salt than in 2014. The St. Louis Post-Dispatch in their December 28, 2014 article (see attachment) reported the St. Louis City paid \$112 per ton while IDOT paid 50% more than the previous year. We paid \$64.87 and \$71.05 from our secondary supplier and the St. Louis APWA coop, respectively. This wide range of prices and the severe winter in the New England states makes it difficult to predict salt prices for 2015. For estimating purposes only, the table below reflects the average of our highest price (\$71.05) and St. Louis City's price (\$112) price of \$91.52 per ton for the tonnages in Table 1 above.

Table 2	<u>ASSUMED</u> 2015 Unit Price	2015 <u>POTENTIAL</u> Cost	Early 2016 <u>POTENTIAL</u> Cost
APWA Coop	\$91.52	\$27,456	\$27,456
Secondary Supplier	\$91.52	\$65,894	\$64,064
Total		\$93,350	\$91,520

The 2015 budget provides \$165,874 for the purchase of salt. This includes the 1,019 tons that were delivered in early 2015 at a cost of \$66,724, leaving a 2015 balance of \$99,150.

Salt shortage sends prices spiking

DECEMBER 28, 2014 8:30 AM • BY JACOB BARKER

JBARKER@POST-DISPATCH.COM

Last winter's heavy snowfall may have already melted in the memories of many of the region's residents, but the spiking price of salt hasn't let those in the snow business forget.

A national salt shortage has driven up prices and forced highway departments and snow management companies to look well beyond their usual suppliers.

"We're seeing anywhere from 50 percent (higher) to double the price per ton of what contractors were paying a year ago," said Martin Tirado, chief executive of the Snow and Ice Management Association in Milwaukee.

BSR Services, one of the largest private snow and ice management companies in the St. Louis region, had to go all the way to Egypt to find the salt it needed to make it through the season.

"This has been the first time year in my 30 years (in the industry) that we've gotten international salt," said BSR President Carl Bolm.

Heavy snowfall around the country depleted stockpiles and spurred a yearlong scramble to replenish.

The St. Louis Streets department paid more than double what it did last year, about \$112 a ton, for salt from Morocco. The Illinois Department of Transportation paid about 50 percent more. The Missouri Department of Transportation was spared most of the pain, paying only about \$5 more, or \$60 per ton.

Last year, governments were still buying salt when salt producer Compass Minerals would normally have been building up inventory.

"We and our customers essentially started with zero inventory because of the heavy usage last winter," said Tara Hart, a spokeswoman for the Kansas City-area company that is one of the largest salt producers in the country.

There were 272 snow events — at least 1 inch of snow in 24 hours — in major North American salt market areas last winter, compared to a 10-year average of 157, according to numbers compiled by Compass. To help make up for the shortfall, Compass is importing some salt from overseas this season, something it normally doesn't do, Hart said.

"This year we have decided to augment our supply to make sure we can meet customer demand," she said.

Governments tend to get first dibs on salt coming in off the river barges, said Jim Schulte, vice president of commercial sales at Horstmann Brothers Gardening & Landscape Services in Overland. That had companies like his scrambling for salt "more so than ever before."

"We were in the heat of the battle in terms of contacting vendors and making decisions in terms of quantities," Schulte said.

Vendors weren't making commitments, or they were requiring cash up-front instead of allowing a month to pay down accounts, Schulte said. He even alluded to some speculators honing in on the market for road salt.

"This year there will be a lot of out-of-pocket expenses, more so than in years past with the commitment to buying up front the quantity you wish to get," he said. "It puts a little more strain on the company finances at the end of year and speculates on what Mother Nature's gonna do."

At BSR, which focuses only on snow and ice management and clears the parking lots for some of the region's largest employers, Bolm said he has to be sure he has enough to make it through the winter. He described his clients as companies that take "risk management" seriously.

He figures the 10,000 tons he bought from a 50,000-ton shipment from Egypt will get him through this season and most of next winter, but he plans to hold on to all of it, even though some competitors have asked if he'd be willing to part with some.

"I don't want to sell any because I don't ever know what Mother Nature's going to throw at me," Bolm said.

Even with the higher salt price, Bolm said he hasn't passed that on to customers. Tirado, at the Snow and Ice Management Association, said the financial effect on contractors and property owners will vary depending on the types of contracts they have with their clients.

"There are going to be some costs that get passed on to their customers, to property and facility managers," Tirado said. "The contractor is going to have to absorb some of these costs on some of these multiyear seasonal contracts that are fixed."

Locally, property managers haven't felt the effects yet. Rob Kiem, senior property manager at Clayton-based Rafco Properties said he locked in his snow event prices at "pretty much the same" as last year.

Jennifer Mesey, senior property manager of DCM Group in Brentwood, agreed, but she said it's still early and a bad winter could complicate things.

"It doesn't mean we couldn't get a letter saying because of unforeseen circumstances prices are going up," she said. "For the most part, with us being under contract, those prices should be locked in no matter how bad the winter is."

Fewer big snows so far this winter has helped ease the situation, Tirado said. But Bolm thinks it could be a year or more for supply to catch up.

"I think it's going to take a couple mild winters to settle this salt shortage ... and bring the prices back down," Bolm said.